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# ***LB SF No. 1 – In Administration***

Joint Administrators' progress  
report for the period 2 April 2011 to  
1 October 2011

31 October 2011

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# **Section 1 Purpose of the Joint Administrators' progress report**

## **Introduction**

This is the sixth progress report by the Joint Administrators (the "Administrators") of LB SF No.1 ("LBSF" or the "Company").

This report provides an update on the work that the Administrators have undertaken and the progress made since our appointment, with particular focus on the progress made in the six months to 1 October 2011.

## **Objectives of the Administration**

The Administrators are pursuing the objective of achieving a better result for the creditors of the Company as a whole, than would be likely if the Company were wound up (without first being in Administration).

The specific aims of this Administration are to:

- Protect and control the Company's portfolios of assets; and
- Realise these assets on a managed basis.

## **Progress to date**

As previously advised, the Pensions Regulator listed LBSF as one of the Lehman companies from which it was seeking a Financial Support Direction ("FSD") in relation to the Lehman Brothers Pension Scheme ("the Pension Scheme").

The Determinations Panel of the Pensions Regulator issued a Determination Notice on 13 September 2010 which stated that an FSD should not be issued against LBSF. However, as the FSD legal process has not yet been completed, the Administrators are not certain at this stage that LBSF will not have liability under an FSD.

## **Outcome for creditors**

Based on current information and the quantum of claims recorded in the Company's records, the Administrators anticipate that there should be sufficient realisations to allow for a distribution to unsecured creditors. However, the Administrators

remain uncertain of the timing and quantum of any dividend to unsecured creditors.

The timing of any distribution remains uncertain as the FSD position is not yet finalised. Once this has been finalised, the Administrators will seek permission from the Court to make a distribution to unsecured creditors.

## **Extension of the administration**

On application of the Administrators, the High Court previously made an Order to extend the period of the Administration to 30 November 2011. The Administrators are now applying to Court for a further extension of the Administration.

## **Future reports**

The Administrators will next report to creditors in approximately six months time or when the Administration comes to an end, whichever is sooner.

Signed:



DA Howell  
Joint Administrator  
LB SF No. 1

AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell were appointed as Joint Administrators of LB SF No.1 to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DY Schwarzmann, MJA Jervis and DA Howell are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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## ***Section 2 Joint Administrators' actions to date***

### ***Overview***

LBSF holds a number of investments in subsidiary companies. These companies own a variety of performing, sub-performing and non-performing mortgage and other loan portfolios.

### ***Administrators' actions to date***

LBSF has three primary asset groups, which are:-

- Receivables due from other Lehman Group companies

As advised in my previous Progress Report, the Administrators filed claims against certain US group companies in insolvency proceedings in line with the bar date set by those entities. Guarantee claims, where Lehman Brothers Holdings Inc ("LBHI") had guaranteed the liabilities of certain Lehman Group companies, have also been filed.

On 11 October 2011, the Administrators entered into a settlement agreement with LBHI, which will become effective when LBHI's Plan of Reorganisation is approved by the court and itself becomes effective. Pursuant to this agreement LBHI has agreed LBSF's creditor claim in the sum of \$2.9bn.

The timing and quantum of any recoveries from LBHI and other intercompany receivables remains uncertain.

- Equity investments in subsidiaries

The equity investments are unlikely to realise any value.

- A loan portfolio

The loan portfolio was realised during the first six months of the Administration.

### ***Outstanding matters***

The most significant assets still to be realised are intercompany receivables due from LBHI and from LBSF's subsidiary companies, the majority of which are also in Administration.

LBSF will make its principal recoveries from these assets as and when dividends are paid from those proceedings.

## Section 3 Statutory and other Information

<i>Court details for the Administration:</i>	High Court of Justice, Chancery Division, Companies Court - case 8603 of 2008
<i>Full name:</i>	LB SF No. 1
<i>Trading name:</i>	LB SF No. 1
<i>Registered number:</i>	06001928
<i>Registered address:</i>	Level 23, 25 Canada Square, London E14 5LQ, United Kingdom
<i>Company directors:</i>	D Gibb (resigned 17/07/09), IM Jameson (resigned 17/07/09) and AJ Rush (resigned 17/07/09)
<i>Company secretary:</i>	ESE Upton (resigned 25/01/10), P Dave (resigned 25/01/10)
<i>Shareholdings held by the directors and secretary:</i>	None of the directors own shares in the Company
<i>Date of the Administration appointment:</i>	2 October 2008
<i>Administrators' names and addresses:</i>	AV Lomas, SA Pearson, DY Schwarzmman, MJA Jervis and DA Howell, of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
<i>Appointer's name and address:</i>	The directors of the Company, 25 Bank Street, London E14 5LE
<i>Objective being pursued by the Administrators:</i>	Achieving a better result for creditors as a whole than would be likely if the Company was wound up (without first being in Administration).
<i>Division of the Administrators' responsibilities:</i>	The current joint administrators are DA Howell, AV Lomas, MJA Jervis, SA Pearson and DY Schwarzmman of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT. In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by either or all of the Joint Administrators, may be done by any or one or more of the persons for the time being holding that office.
<i>Details of any extensions of the initial period of appointment:</i>	The first extension was granted by the High Court of Justice until 30 November 2010. A second extension was granted by the High Court of Justice until 30 November 2011.
<i>Proposed end of the Administration:</i>	The Administrators are not yet in a position to determine the most likely exit route from the Administration and wish to retain the options available to them.
<i>Estimated dividend for unsecured creditors:</i>	Based on current information the Administrators anticipate that there should be sufficient realisations to allow for a distribution to unsecured creditors however the timing and quantum is currently uncertain.
<i>Estimated values of the prescribed part and LBSF's net property:</i>	There is no prescribed part as there is no qualifying floating charge.
<i>Whether and why the Administrators intend to apply to court under Section 176A(5) IA86:</i>	Not applicable as there is no prescribed part.
<i>The European Regulation on Insolvency Proceedings (Council Regulation(EC) No. 1346/2000 of 29 May 2000):</i>	The European Regulation on Insolvency Proceedings does apply to this Administration and these are the main proceedings.

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## ***Section 4 Financial Information***

### ***Administrators' remuneration***

Unsecured creditors previously resolved that the Administrators' remuneration be fixed by reference to the time properly given by them and the various grades of their staff. The Administrators were also authorised to draw their remuneration on account from time to time. The details of remuneration drawn to date have previously been provided and no remuneration has been drawn in the period.

As there is a possibility that the unsecured creditors might be paid in full, whilst the Administrators have already obtained fee approval from unsecured creditors, for completeness, they will also be requesting that the basis and quantum of their remuneration be approved by LBHI, being the ultimate beneficiary of any funds that will flow to the Company's shareholders.

### ***Receipts and payments account***

Set out in Section 5 of this report is a receipts and payments account for LBSF, for the period since appointment, together with the movements from 2 April 2011 to 1 October 2011.

Net receipts to 1 October 2011 amount to £53,928,544 (based on foreign currency exchange rates on that date).

## Section 5 Receipts and Payments Account

	As at 1 October 2011			As at 1 April 2011			Movements		
	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)	GBP (£)	EUR (€)	USD (\$)
<b>Receipts</b>									
Interest received gross	349,970	9,934	128,454	286,150	9,934	111,892	83,820	-	16,762
Receipts and interest on loan facilities	27,855,340	4,952,567	38,040,207	27,855,340	4,952,567	38,040,207	-	-	-
Tax Function costs	141,028	-	-	141,028	-	-	-	-	-
<b>Total Receipts</b>	<b>28,346,338</b>	<b>4,962,501</b>	<b>38,168,661</b>	<b>28,282,518</b>	<b>4,962,501</b>	<b>38,151,899</b>	<b>83,820</b>	<b>-</b>	<b>16,762</b>
<b>Payments</b>									
Bank charges	1,220	142	350	979	142	350	241	-	-
Professional Fees	2,700	3,210	-	-	3,210	-	2,700	-	-
Legal fees	408,097	33,460	-	304,727	33,460	-	101,370	-	-
Employee costs	947,967	-	-	832,189	-	-	15,778	-	-
Office costs	854,028	-	-	854,028	-	-	-	-	-
Statutory advertising	1,747	-	-	1,747	-	-	-	-	-
Other disbursements	88	-	-	88	-	-	-	-	-
Tax deducted on interest	-	1	-	-	1	-	-	-	-
Office holders fees	617,327	-	-	617,327	-	-	-	-	-
Office holders category 1 disbursements	7,948	-	-	7,948	-	-	-	-	-
VAT	164,701	-	-	145,689	-	-	19,012	-	-
<b>Total Payments</b>	<b>3,003,823</b>	<b>36,813</b>	<b>350</b>	<b>2,864,722</b>	<b>36,813</b>	<b>350</b>	<b>139,101</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>	<b>25,342,515</b>	<b>4,925,688</b>	<b>38,168,311</b>	<b>25,417,796</b>	<b>4,925,688</b>	<b>38,151,549</b>	<b>(75,281)</b>	<b>0</b>	<b>16,762</b>
<b>Intracompany Transfer</b>									
Payment	-	(4,805,389)	-	-	(4,805,389)	-	-	(183,000)	-
Receipt	4,007,129	-	-	4,007,129	-	-	-	-	-
<b>Net Position</b>	<b>29,349,644</b>	<b>120,299</b>	<b>38,168,311</b>	<b>29,424,925</b>	<b>120,299</b>	<b>38,151,549</b>	<b>-</b>	<b>587</b>	<b>-</b>
<b>Cash Balances</b>									
Bank of England	131,746	-	-	131,746	-	-	-	-	-
HSBC (non-interest bearing)	198,418	120,299	228,278	272,089	120,299	147,018	-	-	-
HSBC International Branch (non-interest bearing)	-	-	-	-	-	-	-	587	-
Money Markets	29,019,480	-	37,940,033	29,021,090	-	38,004,531	-	-	-
<b>Total Cash</b>	<b>29,349,644</b>	<b>120,299</b>	<b>38,168,311</b>	<b>29,424,925</b>	<b>120,299</b>	<b>38,151,549</b>	<b>-</b>	<b>587</b>	<b>-</b>

Based on exchange rates on 1 October 2011, total cash in hand as at 1 October 2011 was £53,928,544



The Insolvency Act 1986

**Administrator's progress report**Name of Company  
LB SF No.1Company number  
06001928In the  
High Court of Justice, Chancery Division

[full name of court]

Court case number  
8603 of 2008(a) Insert full name(s) and  
address(es) of  
administrator(s)

We (a) Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann,  
Michael John Andrew Jervis and Derek Anthony Howell of  
PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT

Joint administrators of the above company attach a progress report for the period

(b) Insert dates

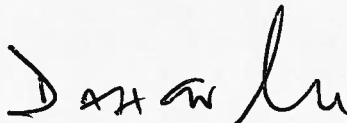
from

to

(b) 2 April 2011

(b) 1 October 2011

Signed



Joint Administrator

Dated

31 October 2011

**Contact Details:**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

PricewaterhouseCoopers LLP

7 More London Riverside, London SE1 2RT

Tel 0207 583 5000

DX Number

DX Exchange

Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

